

Message Text

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PAGE 01 REYKJA 01810 231731Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
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R 231632Z DEC 77
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 7986
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
COMICEDEFOR

C O N F I D E N T I A L REYKJAVIK 1810

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: NEW SCANDAL BREWING IN PROGRESSIVE PARTY

1. ALFRED THORSTEINSSON, LEADING PROGRESSIVE PARTY MEMBER OF REYKJAVIK CITY COUNCIL, FACING SCANDAL WHICH IS LIKELY TO BREAK EARLY IN NEW YEAR. THORSTEINSSON WAS HELD IN POLICE CUSTODY OVER WEEKEND OF DECEMBER 9 IN MATTER STEMMING FROM HIS SIGNATURE BEING FORGED ON CHECKS. THOSE CAUGHT FOR PASSING CHECKS HAVE CHARGED THAT THORSTEINSSON GAVE THEM BLANKS AND APPROVED OF FORGERY AS PAYOFF FOR KEEPING HOMOSEXUAL RELATIONSHIP QUIET. INVESTIGATION OF CASE HAS BEEN COMPLETED AND REPORT NOW IN HANDS OF PROSECUTOR. BECAUSE OF HOLIDAY PERIOD, PROSECUTOR'S OFFICE WILL PROBABLY NOT DECIDE WHAT ACTION TO TAKE FOR AT LEAST TWO WEEKS.

2. PRESS HAS GIVEN MATTER VERY LITTLE PLAY AND HAS ONLY REPORTED THAT THORSTEINSSON WAS HELD BY POLICE AND THAT FORGERY WAS INVOLVED. NONETHELESS NATURE OF INQUIRY AND THORSTEINSSON'S POSSIBLE CONNECTION WITH FORGERS ARE WIDELY DISCUSSED.

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3. THORSTEINSSON, ON RIGHT WING OF PP, IS NOT ONLY ON CITY COUNCIL BUT WAS NAMED EARLIER THIS YEAR TO HEAD DEFENSE FORCE SURPLUS SALES COMMITTEE, BODY WHICH CHANNELS EXCESS EQUIPMENT FROM NATO BASE TO LOCAL ECONOMY. SINCE SURPLUS SALES COMMITTEE JOB HAS TRADITIONALLY BEEN REGARDED AS OPPORTUNITY FOR INCUMBENTS TO LINE POCKETS, THORSTEINSSON'S APPOINTMENT BY FONMIN

EINAR AGUSTSSON (VICE CHAIRMAN OF PP) FEBRUARY 1977
CAUSED SOME CONTROVERSY, PARTICULARLY SINCE PP WAS OVER-
COMING EFFECTS OF OTHER SCANDALS AT THE TIME.

4. COMMENT: IN LESS THAN TWO YEARS, SEVERAL SCANDALS
HAVE TAINTED PP. JUSTICE MINISTER OLAFUR JOHANNESSEN
(PP CHAIRMAN) WAS ACCUSED OF HINDERING CRIMINAL INVESTI-
GATIONS AND WAS SUBSEQUENTLY CONVICTED OF SLANDER.
AGUSTSSON WAS ALSO CHARGED WITH INTERFERENCE IN CRIMINAL
JUSTICE SYSTEM AS WELL AS USING HIS OFFICE TO GET
FAVORABLE TERMS ON PERSONAL LOAN. MEMORIES OF
THESE CASES BEING REVIVED NOW THAT SMELL OF SCANDAL IS
AGAIN IN THE AIR. TIMING CAN ONLY HURT PARTY
WHICH IS FACING NATIONAL ELECTIONS WITHIN SIX MONTHS
AND ITS OWN PRIMARY IN REYKJAVIK CONSTITUENCY AT END OF
JANUARY.
BLAKE

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